



Report of the
Higher Education
Transition Policy Group
SUBMITTED TO GOVERNOR-ELECT JON S. CORZINE

Final Report

January 10, 2006

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EXECUTIVE SUMMARY

The Higher Education Transition Policy Group recommends that the Governor-elect consider the following recommendations:

Recommendation One: Appoint a senior policy official in the Office of the Governor to serve as the primary facilitator between the higher education community and the Governor, and to provide counsel in the Governor's highest policy-making advisory group. In shaping policies for New Jersey's future economic and civic growth, input from a well-informed advocate for higher education is valuable and essential.

Recommendation Two: Initiate a broad study of the assumptions, goals and interrelationships among New Jersey's student financial aid programs to determine how to make them more effective, and how to expand investment. To continue and expand New Jersey's strong commitment to affordable college opportunity, the interactive effect (state, federal and institutional) of student aid programs in their entirety needs to be analyzed regarding shared responsibility for financing college, expanding opportunity within the context of a changing population, and emerging educational needs.

Recommendation Three: Increase the number of recipients of Tuition Aid Grants (TAG) while fully funding the amount for which students are qualified for full-time and part-time students. New Jersey's TAG Program has been recognized nationally as a model financial assistance program and should be continuously adjusted to maintain its objective of providing assistance to needy students.

Recommendation Four: Create an incentive program of tax credits for companies that hire undergraduate college students enrolled in a college or university in New Jersey. One meaningful motivation for students to remain in New Jersey for college is the confidence they can obtain part-time employment during their schooling years.

Recommendation Five: Mitigate rising tuition at public institutions. Fully funding salaries negotiated within parameters set by the state would significantly mitigate increases in tuition rates.

Recommendation Six: Initiate a study on the feasibility of a dedicated revenue stream for higher education in New Jersey and develop a multi-year budgeting process for institutions. If institutions have a multi-year budget commitment, they can then have predictable tuition, thereby allowing families to financially plan ahead for college expenses.

Recommendation Seven: Endorse the placement of a bond referendum supporting higher education capital construction on the ballot to be voted upon by New Jersey voters. New Jersey ranks 45th in the nation in higher education seats per capita and our state is inadequately prepared for the demographic peak in college-age residents coming in 2010 and for expanding research needs.

Recommendation Eight: Implement the Serve New Jersey program that provides monetary incentives for students who graduate from college and work in high-need occupations in the state. Students who enter high-need occupations meet the needs of the state and assist New Jersey in addressing critical shortages in targeted and emerging career areas.

Recommendation Nine: Create a Business and Higher Education Council comprised of business higher education leaders to identify and prioritize statewide initiatives. We advocate collaborative business and higher education partnerships to set the agenda for a knowledge-based economy.

Recommendation Ten: Invest in collaborative research programs (e.g. Edison Innovation Fund, VALE Collaboration, Commission on Science and Technology) Building a critical mass of science and technology research at the state's universities will attract industry as well as produce innovations that will drive New Jersey's future economic growth.

WHY HIGHER EDUCATION MERITS PUBLIC INVESTMENT

Governor-elect Corzine's plan to invest, grow and prosper in New Jersey to achieve growth and prosperity demands an integrated partnership of government and business with our diverse institutions of higher education. Getting the state's fiscal house in order, creating jobs in growth sectors, enhancing the state's research capacity and replacing year-to-year budgets with a new structure of long-term financial planning necessarily involve the state's higher education institutions, their faculty, staff, and students. Beyond the economic return, investment in higher education also reaps civic benefits, from institutional service to society and from the education of students who are the state's residents and citizens. Higher Education's civic benefits to society include the appreciation of human diversity, increased social cohesion, improved ability of workers to adapt to and use technology, more informed and active participation in democratic governance, increased charitable giving, increased community service, and reduced crime rates. Higher education's social benefits to the individual student include longer life expectancy, improved health, increased self-respect, better consumer decision making, greater participation in leisure activities, and better quality of life for one's children. Taken together, the economic and the civic contributions made by higher education to the larger public good give solid reasons for New Jersey to invest significantly and wisely in its excellent system of higher education.

Higher education already plays a major role in New Jersey's economy, and this state asset is projected to increase dramatically. More than 380,000 students are now enrolled in New Jersey's colleges and universities and New Jersey's high school graduates go to college at a higher rate than any other state. New Jersey invests heavily in the K-12 system; a significantly increased investment in higher education would stem the tide of high school student migration out of state for college education. Currently, the state loses each year at least 20,000 college-bound high school seniors to out-of-state colleges. The tremendous growth in the number of applications from New Jersey high school students to New Jersey schools suggests that more of these students would remain in New Jersey if there were adequate capacity to attract them. By capacity, we mean increased availability, improved facilities, expansion of programs and

enhanced academic excellence. Demographers project an increase for New Jersey of 19 percent in high school graduates for 2001-2009. As we plan for growth in the state's economy, we realize that we can ill afford to send so many students to college out of state, where they will likely relocate after graduation. Recent studies have suggested that employees with a college degree, on average, earn 40 percent more than those who do not, and a well-educated workforce attracts businesses to our state. Improving current policies to keep college-bound students in our state and to retain college-educated workers will be essential to New Jersey's continued economic growth.

The economic outcome of state investment in higher education can be measured in tax dollars from highly educated workers, in new research projects and industries attracted to New Jersey, in making New Jersey competitive globally, in business/college/federal collaborations leading to new jobs, and in greater numbers of New Jerseyans who, having benefited from our excellent K-12 public education, remain in-state for college education and subsequent employment.

The societal rewards of higher education include increased diversity within New Jersey's workforce, energized community leadership and service, higher participation of citizens in voting and governance, improved long-term health, and more people becoming both patrons of the arts and creators of culture. Investment in higher education benefits the whole community in our state.

Public opinion polls suggest that New Jersey voters value the return that investment in higher education offers, and that they trust the fiscal savvy of the newly-elected Governor. While many individuals think about college as a personal choice, personally financed, with personal rewards, state policy makers recognize both the economic and the civic contribution of higher education to the public good. Historically, colonial colleges, land-grant colleges, teachers colleges and the postwar student grants to veterans have been founded on the reasoning that higher education benefits the whole democratic community. Americans (and New Jerseyans) have embraced the value of higher education for the common good. Now is the time for the state of New Jersey to rededicate itself to this historic commitment.

To meet our state's economic and societal needs, we offer the following ten recommendations to improve the excellence, diversity, affordability, accessibility, capacity, and research opportunities of higher education.

OBJECTIVE: INCLUDE A VOICE FOR HIGHER EDUCATION IN THE HIGHEST POLICY-MAKING GROUP ADVISING THE GOVERNOR

***Recommendation One:* Appoint a senior policy official in the Office of the Governor to serve as the primary facilitator between the higher education community and the Governor, and to provide counsel in the Governor’s highest policy-making advisory group.**

Rationale: The economic and civic contributions of higher education must be integrated into the state’s policy and budget priorities. New Jersey’s higher education institutions already contribute to the state’s economy through research and development that results in job growth and investment, employees’ income taxes and consumer spending and through the institutions’ expenditures in the community. Colleges and universities already contribute to society by functioning as model communities of cultural diversity, through students’ service, learning and moral development, and through equalizing opportunities for a better life. In shaping policies for New Jersey’s future economic and civic growth, it is essential that the Governor appoint a well-informed higher education advocate. Principal responsibilities of the senior policy official include: analyzing, recommending and advocating effective higher education policy to serve the State of New Jersey; promoting productive coordination of policy affecting higher education; facilitating cooperation and effective communications among leaders and agencies within and outside of higher education required to implement policy initiatives of the Governor.

Implementation Strategy: The Governor should create the position of a higher education policy advisor within his office to maintain effective communications between the Governor’s Office, the higher education community, and others.

OBJECTIVE: IMPROVE AFFORDABILITY BY EXPANDING STUDENT SUPPORT PROGRAMS

***Recommendation Two:* Initiate a broad study of the assumptions, goals and interrelationships among New Jersey’s student financial aid programs to determine how to make them more effective, and how to expand investment.**

Rationale: New Jersey is a national leader in student financial aid, currently ranking first in the nation in providing college access to low-income students, and one of the top states nationally in need-based awards. Both need and merit programs have grown substantially since the 1980s, now making up a significant portion of the higher education budget, and serving as the foundation for affordability for many New Jerseyans attending college. To continue and expand New Jersey’s strong commitment to affordable college opportunity, the interactive effect (state, federal and institutional) of student aid programs in their entirety needs to be analyzed regarding shared responsibility for financing college, expanding opportunity within the context of a changing population, and

emerging educational needs. This study would be aimed at improving and targeting already effective programs, especially for low and middle-income students, part-time and full-time students who are at most risk not to attend college, or to drop out of college because of inability to pay college costs. Attention will be given to improving merit-based aid programs to retain high-achieving students in the state.

Implementation Strategy: Create a high-level task force of appropriate state agencies, national experts and higher education stakeholders affected by such programs, to report its findings by September 2006.

Recommendation Three: Increase the number of recipients of Tuition Aid Grants (TAG) while fully funding the amount for which students are qualified for full-time and part-time students.

Rationale: New Jersey's TAG Program has been recognized nationally as a model financial assistance program and should be continuously adjusted to maintain its objective of providing assistance to those students in need. Currently, for the 2005-06 academic year, eligible students demonstrating the highest need are receiving TAG awards based on 2004-05 tuition. As a result, there is a one-year lag between the value of the TAG award and the tuition charges incurred by students demonstrating the highest need. All other TAG recipients are receiving awards that are based on 2002-03 tuition, which means that there is a three-year lag between their tuition charges and TAG award values. It is essential that programs such as TAG keep pace with growing enrollment, rising costs, changing demographics and the reduction in federal student aid.

Implementation Strategy: Increase various allowances within the New Jersey Eligibility Index (NJEI). Eligibility for the TAG program is based on a student's NJEI and the type of institution s/he attends. Therefore, adjusting the NJEI would increase the award amount of those in need while increasing the total recipients.

For example, increasing two of the allowances for independent students could result in approximately 1,000 additional students receiving awards.

Recommendation Four: Create an incentive program of tax credits for companies that hire undergraduate college students enrolled in a college or university in New Jersey.

Rationale: One meaningful motivation for students to remain New Jersey for college is the confidence they can obtain part-time employment during their schooling years. This simultaneously delivers strong resume experience and immediate tuition assistance. A tax credit program would provide that incentive for businesses to hire part-time collegiate-level employees. The cost of the tax incentives could be offset by increased productivity, regional economic growth and income tax paid by the employees. Most importantly, such experiences build confidence and provide practical skills for future full-time employment based

upon performance and productivity, which further grows our economic base. This concept could offer little impact upon the State's budget but offers substantial benefits.

Implementation Strategy: Propose legislation that creates the New Jersey College Student Work-incentive Program with tax credits for private employers.

OBJECTIVE: IMPROVE AFFORDABILITY BY STABILIZING TUITION

Recommendation Five: Mitigate rising tuition at public institutions.

Rationale: Affordability is essential to making higher education accessible to New Jersey residents. Fully funding salaries negotiated within parameters set by the state would significantly mitigate increase in tuition rates.

There is a direct relationship between the operating support provided for the senior public colleges and universities and community colleges and the tuition and fees charged by these institutions. Inconsistent funding has led to New Jersey tuitions and fees being among the highest in the nation. While federal and state financial aid programs have somewhat insulated our neediest students from these increases, middle-class students are directly and negatively impacted. In the long run, limiting access to higher education will negatively impact economic growth and development. Economic growth is a key component in improving the condition of the State budget. Therefore despite the dire budget situation, it is essential that the State of New Jersey increases its investment in higher education to ensure that access is maintained.

Implementation Strategy: Provide adequate funding to New Jersey Senior Public Colleges and Universities and Community Colleges to ensure that tuition increases do not negatively impact affordability. Fully fund negotiated salaries at public institutions.

Recommendation Six: Initiate a study on the feasibility of a dedicated revenue stream for higher education in New Jersey and develop a multi-year budgeting process.

Rationale: If institutions have a multi-year budget commitment, they can then have predictable tuition, thereby allowing families to plan for college expenses. Multi-year budgeting also allows the state's higher education institutions to develop programs that respond to state needs, and retain the requisite faculty and staff. Further, multi-year budgeting will allow institutions to plan for capital renewal and investment in academic facilities, equipment and campus infrastructure. New Jersey must provide more predictable and consistent long-range funding of higher education, rather than depend on annual budgets or on periodic bond initiatives. Institutional expenses have risen at a faster pace than

the state's appropriations, therefore resulting in cuts to educational programs, reduction in the number of full-time faculty, and deferred maintenance of the campuses. Under current funding, the infrastructure needs of college campuses have been neglected. Whether through a redesign of the state budget, or through the creation of a dedicated revenue stream, or a combination of means, we believe that changes are needed in higher education funding.

Implementation Strategy: Study and evaluate successful practices of other states that have implemented dedicated revenue streams and multi-year budgeting for higher education. Thereafter, the Governor should propose to the legislature a model that best fits New Jersey's appropriations process.

OBJECTIVE: EXPAND ACCESS BY IMPROVING CAPACITY FOR THE PROJECTED INCREASE IN COLLEGE BOUND STUDENT POPULATION AND ENHANCE THE ROLE OF THE STATE'S COLLEGES AND UNIVERSITIES IN PROMOTING ECONOMIC GROWTH

***Recommendation Seven:* Endorse the placement of a bond referendum supporting higher education capital construction on the ballot to be voted upon by New Jersey voters.**

Rationale: New Jersey Colleges and Universities lack adequate facilities. This impedes their ability to serve a growing student population and to expand research activities. While New Jersey ranks first in the nation in the proportion of high school graduates aspiring to a college education, it ranks 45th in the nation in four-year public higher education seats per capita. Absent additional facilities, New Jersey's employers will have a smaller supply of New Jersey educated employees which could impede business expansion and increase the cost of recruiting a skilled workforce. Students who attend college out-of-state will be unlikely to return and contribute to the state's economy. More of the core industries in our knowledge-dependent economy may make their investments in new research and development facilities elsewhere, causing high paying jobs to flow to other states. Fewer start-up companies that fuel the next generation of economic growth will see New Jersey as a fertile environment in which to locate. This significant capital expenditure on higher education is an investment in the present and the future of New Jersey. This investment will provide an immediate stimulus to the economy through the construction process. In the long-term, this investment will expand economic prosperity through programs to build a more robust New Jersey workforce, especially in high-demand businesses, and will produce new knowledge through research, leading to more investments and job creation. It is likely that the immediate and long-term economic benefits will exceed the annual debt created by the bond.

Implementation Strategy: The Governor should support legislative efforts to place the bond issue on a ballot and participate in the campaign to educate citizens on the benefits of its passage.

OBJECTIVE: IMPROVE NEW JERSEY'S WORKFORCE WITH EDUCATED EMPLOYEES

***Recommendation Eight:* Implement the Serve New Jersey program to provide monetary incentives for students who graduate from college and work in high-need occupations in the state.**

Rationale: Students who enter high-need occupations that meet the needs of the state and assist New Jersey in addressing critical shortages in targeted and emerging career areas. Examples would include teachers, which are in very short supply in urban areas, nurses, and other graduate fields that are deemed vital for economic competitiveness, such as bio-technology.

Implementation Strategy: Create a high-level task force to identify the current and future high-need occupations of the state. Upon identifying the high-need occupations, the task force should propose programs that encourage students to choose these high-need occupations.

***Recommendation Nine:* Create a Business and Higher Education Council comprised of business and higher education leaders to identify and prioritize statewide initiatives.**

Rationale: Creating a Business and Higher Education Council would foster new strategic partnerships that will ensure economic prosperity and competitiveness within the state. We advocate collaborative business and higher education partnerships to set the agenda for a knowledge-based economy. Such a forum is especially important to New Jersey, given the critical role within the state of such major industries as pharmaceuticals, biotechnology and information technology. Business and higher education partnerships can facilitate undergraduate and graduate internships and service learning, propose curricular initiatives and degree programs to meet industry needs and to educate students for the professions/jobs of the future, focus college and university research in key areas, incubate new industries and encourage emerging technology and innovation, create corporate educational programs to develop professional and technical skills of the workforce.

Implementation Strategy: The Governor should create a statewide partnership of professionals, comprised of both business and higher education leaders with appropriate academic and workforce experience to advise the Governor. The Council should be established as a standing advisory committee.

OBJECTIVE: STRENGTHEN THE STATE'S HIGHER EDUCATION RESEARCH CAPACITY

Recommendation Ten: Invest in collaborative research programs (e.g., Edison Innovation Fund, VALE Collaboration, Commission on Science and Technology)

Rationale: Investing in research returns \$7 into the economy for every \$1 spent, while also maintaining and enhancing the state's competitiveness for knowledge-based business and industry. New Jersey ranks high nationally in private R&D expenditures, due largely to the high concentration of pharmaceuticals, biotechnology, information technology, and telecommunications firms located in the state. However, a significant gap exists between the state's university research funding levels and those of its industry. If this gap is not reduced, New Jersey runs the risk of losing more technology-driven jobs to other states.

As noted in the October 2004 report of the New Jersey Jobs Growth and Economic Development Commission: "Public and private leaders in New Jersey know that building a critical mass of science and technology research at the state's universities will attract industry as well as produce innovations that will drive New Jersey's future economic growth. That is why the Commission has determined that New Jersey needs to invest in its university research capabilities by investing in research and creating new centers of excellence."

Investing in our high-tech economy will produce good-paying jobs, and not just in the high-tech sector. It will also produce profits for those companies hiring the workers. Both actions create revenues for our state. In addition, the R&D activity created by programs such as the Edison Innovation Fund would have long-term positive effects, including:

- Improved competitiveness of existing New Jersey companies – New knowledge transferred to firms from research centers should help improve productivity and job growth.
- Attraction of new firms – Corporate R&D, design, and engineering operations would be drawn to New Jersey to gain access to knowledge, partner with research, and gain access to graduates.
- Hundreds of millions in continuing state and local revenues – The growth in business activity and wages from the additional jobs will generate new tax revenues without increasing tax rates.

Implementation Strategy: Governor should charge the Business and Higher Education Council to strategize how best to implement such programs. Investments should be made in strategically determined areas of research that offer the greatest potential for success, as outlined in the Governor's proposal for the Edison Innovation Fund and the Commission on Higher Education's report on enhancing university-based research activity and funding in the state.

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